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Subject: Cost estimate revised for Honolulu rail

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Project may cost an extra \$117M, but still close to budget, report says

By Sean Hao
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Honolulu's planned elevated commuter rail project likely will come in at close to the budgeted price and within five months of the anticipated completion date, according to a report by project oversight consultant Jacobs Engineering.

Honolulu Mayor Mufi Hannemann said the report provides independent verification that the city's financial plan is sound.

"There will still be some give and take on the numbers. It may shift here and there," he said during a news conference yesterday. "But the big picture is there's no way this project is way over budget. No way."

The report found that the city's most recent cost estimate of \$5.17 billion for the project was about \$117 million too low.

The higher cost, which was pegged mainly to higher than anticipated inflation, raises the total estimated project price by 2.3 percent to an inflation-adjusted \$5.29 billion.

Hannemann pointed out that the \$5.29 billion is still lower than an earlier estimate of \$5.4 billion, which was the number presented to voters when they narrowly approved the rail project in November.

Overall, the third-party report commissioned by the Federal Transit Administration found that the current project cost estimate is reasonable and acceptable for this stage of the project.

The report concluded there is an 85 percent probability the system will be completed by Aug. 13, 2019, which is five months later than the city's plan. The city plans to begin construction of the 20-mile East Kapolei to Ala Moana train in December.

The FTA report was conducted as part of the process needed for the city to secure an estimated \$1.2 billion in federal funding.

The next step is for the city to begin what is known as the preliminary engineering phase of the project, which includes finalizing management plans; refining the route's alignment and project costs; and identifying benefits and impacts.

After preliminary engineering is done, which usually takes 15 to 30 months, transit projects enter the final design phase, according to the FTA. If the project passes that phase, the FTA provides a full-funding grant agreement. The city expects to be awarded full federal funds in spring 2011.

The findings in the July-dated report contrast with the findings of an earlier May draft obtained by The Advertiser this week under the federal Freedom of Information law. That report stated the city's financial plan may underestimate the effects of excise taxes and inflation as well as higher utility relocation costs and right-of-way acquisitions. Those items could add \$440 million to the estimated cost, according to the draft report. Among other things the May version of the report found that the city's timetable was "aggressive and not likely tenable."

questions answered

City officials said the budget and timing questions raised in the draft have since been resolved and were a result of misunderstandings with Jacobs Engineering.

The final report released yesterday is likely to be a key part of any future City Council debate on whether to issue bonds to finance the project. The council still needs to authorize the issuance of nearly \$1 billion in bonds to cover pending solicitations for

rail vehicles and construction of a train guideway and base yard.

According to a cost analysis conducted by Jacobs Engineering, the final cost of the project could be as much as 160 percent higher to 60 percent less than the current estimate.

Recently built rail systems, on average, cost 40 percent more than projected during preliminary engineering, according to an April 2008 report by FTA.

Rail project critic Cliff Slater yesterday said the report understates that financial risk.

"There are still a lot of risks here, and the risks are the ones that are never mentioned, (such as) the fact that the average has been a 40 percent cost overrun," Slater said. "You take 40 percent of 5 billion (dollars) — it's 2 billion."

City Council member Gary Okino said the FTA report rebuts concerns raised by project critics that the project costs will spiral higher.

"This thing confirms that we're on a firm financial basis for this project," Okino said. "It verifies everything that we've been saying.

"The project could not have been confirmed in a stronger way by the federal government."